



**Part 2A of Form ADV: *Firm Brochure***

**Magnolia Capital Advisors LLC  
d/b/a MAG CAP**

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This brochure provides information about the qualifications and business practices of Magnolia Capital Advisors LLC d/b/a MAG CAP (herein after referred to “MAG CAP”). If you have any questions about the contents of this brochure, please contact us at (601) 362-5872. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about our firm is available on the SEC's website at <https://adviserinfo.sec.gov/>.  
Registration does not imply any level of skill or training.

## Item 2: Material Changes

This Firm Brochure is the disclosure document Magnolia Capital Advisors LLC prepared according to regulatory requirements and rules.

Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. Since our last annual filing was made on February 18, 2022, the firm made the following updates:

- Item 4 was updated to add cryptoassets investment management services to our firm's service offerings;
- Item 5 was updated to provide information surrounding the fee billing practices surrounding cryptoassets;
- Item 8 was updated to provide information surrounding the risks involved in investing in cryptoassets.

Whenever you would like to receive a complete copy of the current Brochure, please contact us at (312) 273-4322 or [tkerney@keybridgecompliance.com](mailto:tkerney@keybridgecompliance.com). We will be happy to provide you with a complete copy.

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## Item 4: Advisory Business

### Description of the Firm

Magnolia Capital Advisors LLC d/b/a MAG CAP ("MAG CAP"), is a Delaware limited liability company founded in 2018 with its principal place of business in Mississippi and is owned by Vaiden Clark, Stephen Griner and Charles Marion, each of whom is a managing member. The firm also has offices in Birmingham, Alabama and Columbus, Mississippi. The Columbus, Mississippi office operates under the name Milestone Investment Group.

### Description of Services Offered

The following paragraphs describe the services offered by our firm. Please refer to the following paragraphs for more detail about the specific service, and how we tailor our services to your individual needs. As used in this Brochure, the words "our", "we", and "us" also refer to MAG CAP. The words "you," "your" or "client" refer to our clients and prospective clients. Other terms are defined later in this Brochure as well.

### Investment Advisory / Portfolio Management Services

Our firm offers continuous and ongoing investment advice and portfolio management services. Investment planning is designed to provide a retirement roadmap of income and expenses over the client's life. Our advice and services are tailored to meet our client's individual needs, life circumstances and investment goals. We conduct at least one, but sometimes more than one meeting (in person, telephone or video conference, or via email) with clients in order to understand their current financial situation, existing resources, financial goals, investment objectives, risk tolerance, time horizons and liquidity needs.

Clients have the ability to impose reasonable restrictions and guidelines on investing in certain securities, types of securities or industry sectors. We expect all such restrictions to be timely communicated to us. Client restrictions and guidelines could negatively affect investment performance.

Clients must inform us of any changes to their financial circumstances, investment objectives or risk tolerance, or of any modifications or restrictions that are imposed on the management of the client's account. In this manner, our firm can better serve clients' needs.

Account management and supervision is guided by the client and market conditions. We manage clients' investment accounts on a discretionary and non-discretionary basis. We will monitor the portfolio's performance on an ongoing and continuous basis, unless otherwise agreed, and will make adjustments and reallocations as necessary due to changes in market conditions and the client's circumstances, as communicated to us.

For our discretionary asset management services, we will receive a limited power of attorney to effect securities transactions on behalf of a client. You retain the ability to limit our discretionary authority by providing us with a written communication that details restrictions and other guidelines. Unless otherwise agreed to by the client and the firm, if we manage your account on a non-discretionary basis, we will have the ongoing responsibility to make investment recommendations based on your individualized investment strategy or we will develop and implement an asset allocation strategy, which we will continuously monitor and supervise. However, unlike discretionary accounts, we would first be required to obtain your approval before executing transactions. Requests for approval will be communicated via electronic mail to an authorized account or via a telephone call to an authorized phone number. The client will be responsible

for responding in a timely manner.

Our services encompass asset management designed to assist clients in meeting their financial goals using financial investments. We explore different types of investment options and strategies in the design of a client's circumstances. Our investment recommendations are not limited by any specific product or service offered by a broker-dealer or custodian. Most commonly, these recommendations will generally include,

- Exchange listed securities, and securities traded over the counter
- Mutual funds
- Exchange-traded fund shares
- Options
- Separate accounts; and
- Money market funds and other cash instruments

Less commonly, we will also provide advice regarding the following security types:

- Cryptoassets (see Cryptoasset Investment Management section below)
- Closed end fund shares
- Certificates of deposit
- Corporate debt securities
- Municipal securities
- U.S. governmental securities
- Variable (No-Load) annuity products (not held by our custodian)
- Private fund and Private Placements

Each type of security or product has its own unique set of risks associated with it, and it would not be possible to list all the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Because some types of investments involve certain additional degrees of risk, they will only be recommended and implemented when consistent with the client's risk tolerance, investment objectives, and where the investment is determined to be suitable.

### **Cryptoassets Investment Management Services**

We offer Cryptoassets Investment Management services to our clients where requested and if suitable given the client's investment objectives and risk tolerance. The fees associated with cryptoassets are separate and in addition to the contractual disclosed ongoing financial planning or investment management fees charged and collected by the firm. Clients will be required to complete a separate addendum for these services. The additional Cryptoassets fees and how they are to be billed are disclosed in Item 5.

### **Financial Planning and Financial Consulting Services**

Our firm also provides financial planning and consulting services. Depending on your particular circumstance, such services could include a comprehensive evaluation of your financial situation by using currently known facts and variables, or it might focus on a few items of particular importance to you. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's current situation, financial goals and objectives. For financial

consulting clients, we will usually not provide a written summary of our observations and recommendations, as the process is a less formal engagement. Regardless of the nature of the service, the implementation of all recommendations will be at the client's discretion.

A financial plan or financial consultation will address one or more of the following areas:

- **Financial Position:** Understanding of a client's current financial situation. Sources of evaluation include income, expenses, assets, liabilities, etc.
- **Investment Planning:** Determining the most suitable way to structure investments to meet financial goals, and determine the appropriate account type (*e.g.*, joint tenants, IRA, Roth IRA, etc.)
- **Personal Tax Planning:** Evaluating the current tax situation to help minimize a client's taxes and find more profitable ways to use the extra income generated.
- **Retirement Planning:** Assessing retirement needs to help a client determine how much to accumulate, as well as distribution strategies designed to create a source of income during retirement years.
- **Credit Planning:** Evaluating a client's credit needs.
- **Insurance Planning and Risk Management:** Evaluating the client's insurance needs and reviewing insurance policies and the like.
- **Estate Planning:** Reviewing the client's cash needs at death, income needs of surviving dependents and estate planning goals.
- **Education Planning:** Reviewing the educational needs for the client and his/her family, along with planning for educational expenses.
- **Charitable Planning:** Providing provide strategic charitable giving plans for clients and researching and evaluating charitable entities and private foundations.
- **Mortgage/Debt Analysis:** Analyzing client's current mortgage debt, home equity, and financing alternatives.
- **Review of Employee Benefit Plans:** Reviewing the client's investment options, allocation models and historical performance of client assets held through employee benefit plans.
- **Business Consulting:** We offer consulting and advisory services for business owners and entrepreneurs. Services can include advice on business structure, cash flow analysis, projections, growth & strategic planning, employee benefits, risk analysis, and advice pertaining to loans pursuant to operations and payroll, including loans related to

We gather information through interviews and review of documents provided by the client, including questionnaires. Information gathered includes the client's current financial status, future goals, investment objectives, risk tolerance and family circumstances.

Typical financial planning or financial consultation services include one or more of each of the service components. A financial plan could require the services of a specialist such as an insurance specialist, attorney or tax accountant. We will recommend third-party service providers if we feel it is appropriate and in your best interest, but the client is under no obligation to use any service provider recommended by us. Likewise, the client is under no obligation to act on our financial planning recommendations. We do not receive referral or other fees from third-party service providers.

Financial plans and consultations are based on the client's financial situation at the time we present the financial plan or consultation to the client, and on the information provided to us. The client must promptly notify us if his/her financial situation, goals, objectives or needs change. Certain assumptions are made with respect to interest rates, inflation rates, and use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. We do not offer any guarantees or promises that a client's financial goals will be met.

## Qualified Plan Consulting and Participant Investment Consulting Services

We provide retirement plan and pension consulting services to employer plan sponsors on a continuous and ongoing basis pursuant to Section 3(21) of Employee Retirement Income Security Act of 1974 ("ERISA"). Generally, such pension consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan.

Services would typically include:

- **Establishing an Investment Policy Statement** – our firm will assist in the development of a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.
- **Investment Options:** We will work with the client to evaluate existing investment options and make recommendations for appropriate changes.
- **Asset Allocation and Portfolio Construction:** We will make recommendations regarding asset allocation models to be offered to plan participants and will assist the client in structuring the portfolio based upon the investment policy statement of the plan.
- **Investment Monitoring:** We will regularly monitor the performance of the investments and notify the client in the event of over/underperformance and in times of market volatility.
- **Participant Education:** We will educate plan participants regarding investment options offered within the qualified plan.

As part of a pension consulting services, we are responsible for arranging and effecting changes in the plan on behalf of the plan and plan participants.

## Client Assets Under Management

As of December 31, 2022, our total assets under management was approximately \$884,246,588. We managed \$541,651,188 in client assets on a discretionary basis and \$342,595,400 in client assets on a non-discretionary basis.

## Information Regarding Potential Conflicts of Interest

Although we seek to avoid them, our firm has actual or potential conflicts of interest arising from our advisory services. These include, but are not limited to:

- Conflicts related to allocating time and resources between client accounts, allocation of brokerage commissions and investment opportunities generally. For further information on our brokerage and allocation policies, and related conflicts of interest, please refer to Item 12 below.
- Conflicts related to asset-based fees. At times our investment professionals will recommend that a client move assets from another investment account to one managed by our firm. This would result in a higher total advisory fee for that investment professional and generate revenue for the firm. There is therefore a conflict of interest whenever we encourage clients to move their assets to our firm. For further information, please refer to Item 5 which discusses the fees we earn when providing advisory services.
- Conflicts related to one or more of our investment advisor representatives also being licensed as an independent insurance agent through licensed insurance brokers. For further information, please refer to Item 10 below.

- Conflicts related to investing in securities recommended to clients and contemporaneous trading of securities (*i.e.*, personal trading) by the firm and its related persons. Please refer to Item 11 for further information.
- Conflicts related to third parties. When appropriate, we will recommend third parties to advise a client on matters including but not limited to: legal, tax or accounting advice. These recommendations are sometimes made because of existing relationships our firm and its employees have with these groups or individuals. We do not currently have any formal solicitor or referral arrangements.

Actual or potential conflicts of interest generally can be addressed in several ways, including prohibiting the conduct that gives to the conflict of interest, implementing procedures to prevent a person from gaining or utilizing knowledge that potentially give rise to a conflict; establishing parameters for conduct that are designed to protect client interests or limit the benefit that creates the conflict of interest, or disclosing the conflict of interest to our clients.

Our firm has adopted a Code of Ethics. (Please refer to Item 11 below for further information on our Code of Ethics) and we also have policies and procedures in place to mitigate and address conflicts of interest. We believe that such policies and procedures are reasonably designed to treat clients equitably and to advance the best interests of the clients. The clients' best interest is paramount in any situation involving a conflict of interest.

## Item 5: Fees and Compensation

### General Investment Advisory / Portfolio Management Services

Depending upon the type of advisory service to be provided, clients generally have a choice regarding the manner in which fees will be calculated for such services. Options for calculating fees include the following:

- **Percentage of Assets under Management:** Clients will be charged as a percentage of assets under management with us, according to the schedule set forth in the client management agreement between us and the client, provided, however, that the annual fee would not exceed two percent (2%); or
- **Flat Quarterly or Annual Fees:** Clients will be charged at an agreed upon flat annual fee, paid quarterly, or flat quarterly fee depending on the scope and complexity of the client's needs.

The annual fee being charged to the client will be set forth and identified in an agreement between our firm and that client. We retain the ability to negotiate other fee schedules depending on the size of the account, type of account, the level of client service required and other factors we consider relevant, including timing of client relationship.

We typically do not impose a minimum account size or a set minimum annual fee for investment advisory services.

For the fee charged as a percentage of assets under management, fees are charged quarterly in advance based on the market value of the client's account(s), as determined by the custodian, on the last business day of the quarter. Cash and assets which are invested in shares of mutual funds, exchange-traded funds, annuities we manage, individual securities, collective trusts, unit investment trusts and/or closed-end funds shall be included in the calculation of the value of the client's assets under management with us for purposes of computing our fee. Although we do not typically utilize margin in our strategies, a client's margin balance is typically included when calculating assets under management. This will be in addition to any margin interest being paid by the client.

For partial quarters, fees are pro-rated. All unearned fees will be refunded to the client in the event the client terminates our services. If there is a deposit to or withdrawal from a client's account(s) by more than \$50,000.00 in a quarter, our fees will be prorated. Unless other arrangements are made, fees are directly debited from a client's account(s), and each client is required to provide the qualified custodian of the client's account(s) written authorization to deduct the fees described.

The custodian sends the client a statement, at least quarterly, indicating the amount of our fees and all amounts disbursed from the account to our firm for our management fees. We have internal controls that seek to verify that the custodian is withdrawing fees accurately in accordance with your agreement, however, we strongly encourage clients independently verify the accuracy of the fee calculation, as the custodian will not verify the calculation. If a client does not have sufficient cash in the account(s) to cover the payment of fees, some or all of the securities held by the client will be liquidated in order to pay the fees.

The custodian is responsible for sending the client account statements, clients will not receive an account statement or a fee invoice from us. Asset-based fees are always subject to the management agreement between the client and Magnolia Capital Advisors, and we generally retain the right to amend our fee schedule with 30 days prior written notice to the client.

### **Cryptoassets Investment Management**

Client participating in the Cryptoassets Investment Management will be charged an annual percentage-based fee based upon the Clients assets under management or a flat fee. Fees will be billed monthly in arrears, based upon the daily average balance per month to determine billing. Clients' accounts will be debited to pay the fee unless an alternative method is agreed to by the Adviser and Client. Clients participating in the cryptoassets investment management program should be aware that the Client will also be subject to other fees charged by the Client's cryptoassets account Custodian and Exchanges. Currently, the Client's account must be at Gemini Trust Company, LLC in order to be managed by our firm.

### **Financial Planning and Financial Consulting Services**

For clients who retain our firm for its investment advisory services, there is generally no charge for financial planning services. Other clients who retain the firm solely for financial planning or financial consultation will be charged fees based on the nature of the services being provided, who is providing the services and the complexity of the client's circumstances. Financial planning fees are generally calculated and charged on a flat fee basis from \$2,500 to \$25,000 per engagement. If a client terminates financial planning services after we have begun the work but before completion, we will charge a termination fee equal to the hours then spent on your services at a rate outlined in the client's agreement executed prior to our financial professional commencing planning. Financial planning fees and the termination fee are negotiable. We will reduce or waive the financial planning fees and/or termination fee in certain circumstances.

We provide you with an exact fee quote before you authorize us to begin our work. The specific financial planning fee being charged to the client will be set forth and identified in an agreement between us and each client. We will withdraw financial planning fees from a client's bank account only with the prior consent of the client.

Although the length of time it will take to provide a financial plan or financial consultation depends on each client's personal situation, we will provide a timing estimate at the start of the planning relationship. For those who will be charged for financial planning or financial consultation, we will invoice the client for the

services, and the fees will generally be due and payable upon delivery of the completed financial plan to the client or completion of the services, as applicable.

Your financial professional will update your financial plan upon request or when your objectives or financial situation change. If a financial plan is updated, the fee will be dependent on the nature of the update. Again, this fee will be set forth and identified in an agreement between yourself and the firm.

In some circumstances, the financial plan could require the services of a specialist such as an insurance specialist, attorney or tax accountant since we do not provide any legal, or accounting advice. Our firm will recommend third-party service providers when we feel it is appropriate and, in the client's, best interest, but the client is under no obligation to use any service provider recommended by our firm. Fees for specialists will be negotiated between the client and specialist directly under a separate engagement.

### **Qualified Plan Consulting and Participant Investment Consulting Services**

As part of providing additional advisory services, upon request we will provide a client recommendations and advice concerning the client's employer retirement plan or other qualified retirement account. The firm's recommendations could include that the client consider withdrawing the assets from their employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA"). Further, the firm offers its management services be applied to those funds and securities rolled into an IRA or other account for which it will receive compensation.

### **Recommending Rollovers and Transfers to MAG CAP**

Our firm has an inherent conflict of interest in recommending you rollover or transfer your accounts to an account managed by us since we have an incentive to generate compensation for the firm.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

It is important that the client understand the differences between these types of accounts and to decide whether a rollover is best for the client. Prior to proceeding, if the client has questions, contact the firm's Chief Compliance Officer, or call the Firm's main number as listed on the cover page of this brochure.

### **General Information**

An investment management agreement can generally be terminated at any time, by the firm or the client,

for any reason upon prior written notice. The timing is specified in the client management agreement between Magnolia Capital Advisors and the client. In addition, if a client receives this Brochure at the time the client enters into the investment management agreement, the client has the right to terminate the agreement within 5 business days after entering into it by giving written notice of such termination to the firm.

Our firm will not take custody or possession of client funds or securities at any time except to the extent that we typically deduct fees directly from the client's account(s) when providing discretionary investment management services.

All fees paid to the investment adviser are separate and distinct from fees and expenses charged by any mutual fund, exchange-traded funds and closed-end funds. Fund fees are described in the respective fund's prospectus. These fees will generally include management fees, various expenses and a possible distribution fee. The client should review all fees being charged on its investments and those charged by MAG CAP to fully understand the total amount of fees to be paid by the client and to evaluate the advisory services being provided.

Clients incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, trade execution fees, deferred sales charges, odd-lot differentials, transfer taxes, and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Please refer to Item 12 (Brokerage Practices) in this Brochure for additional information.

Our firm and our professionals owe a fiduciary duty to all our clients. We also serve as a fiduciary to advisory clients that are employee benefit plans (such as profit-sharing plans or pension plans) or individual retirement accounts (collectively, our "retirement clients") (IRAs) pursuant to ERISA or the Internal Revenue Code ("IRC"). When acting as a fiduciary to these plans, we are subject to specific duties and obligations under ERISA and the IRC that include among other things, restrictions concerning certain forms of conflicted compensation. To avoid engaging in prohibited transactions, the firm only charges fees for investment advice (i) about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or (ii) about products for which our firm and/or our related persons receive commissions or 12b-1 fees if such commission and fees are used to offset advisory fees.

Clients should be aware that similar advisory services could be available from other investment advisors for similar or lower fees.

Certain of our firm's supervised personnel are registered representatives of unaffiliated third-party broker-dealers and have the capacity to sell securities through such broker-dealers. In addition, a number of our personnel are licensed insurance agents of unaffiliated third-party insurance companies or agencies and sell insurance products through these affiliations. These products and services are separate and distinct from the investment advisory services offered through Magnolia Capital Advisors. Clients should be aware that these securities products and insurance products pay a commission. All fees and commissions related to securities products or insurance products being sold by a financial advisor in his/her capacity as a registered representative or insurance agent will be disclosed to the client. In no event is any client obligated, contractually or otherwise, to use the services of any registered representative or insurance agent acting in such capacity or to purchase products or services through said individual.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

Our firm does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees which are based on the share of capital gain or appreciation of a client's account.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged a performance-based fee. We do not charge performance-based fees, nor do we provide side-by-side management.

## **Item 7: Types of Clients**

We offer our firm's services to individuals, high net worth individuals, banking or thrift institutions, corporations and other business entities, pension and profit-sharing plans, and estates and trusts.

## Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

Our firm and our financial professionals will use one or more of the following methods of analyses or investment strategies when providing investment advice to clients, subject to the clients' investment objectives, risk tolerance, time horizons and stated guidelines:

- **Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance, and we seek to create a portfolio using mean variance optimization to maximize potential return relative to portfolio risk. A risk of asset allocation is the potential the client will miss the opportunity to participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.
- **Mutual Fund, SMA and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or exchange traded fund (ETF) in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager having success in the past does not indicate that they will have success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager will deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.
- **Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it is a good time to buy) or overpriced (indicating it is time to sell). We look at historical and present financial statements of the company, annual reports, governmental filings and business activities. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Individualized analysis of underlying documentation can vary.
- **Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not necessarily consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement. Past performance is not a guarantee of future performance.
- **Quantitative Analysis.** We use mathematical models and statistical modeling in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings-per-share and predict changes to that data, where appropriate. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect. Quantitative

analysis does not necessarily factor in all variables.

- **Qualitative Analysis.** When appropriate, we will subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement and predict changes to share price based on that data. A risk is using qualitative analysis is that our subjective judgment may prove incorrect.
- **Sector Rotation Analysis.** We review and assess the current condition and future prospects of a given sector of the economy. To add incremental value to a core portfolio by making small adjustments to the size of industry sectors in client portfolios. Sector analysis serves to provide us with an idea of how well a given group of companies within a sector are expected to perform as a whole. A risk of asset allocation is the potential that the client will not participate in sharp increases in a particular security, industry or market sector.

Our analysis methods rely on the assumption that the investment vehicles which we recommend for our clients, the companies whose securities we purchase and sell on behalf of our clients, the rating agencies that review these securities, and other publicly or privately available sources of information about these securities, are providing accurate, timely and unbiased data. While we are always looking for indications of inaccuracy in the data we use, there is always a risk that our analysis could be compromised by inaccurate, misleading or untimely information. This is an ongoing risk and could impact all the strategies discussed below.

## Investment Strategies

We will use one or more of the following strategies in managing client accounts, although individual clients can request one-off scenarios as needed. Investment strategies and advice will vary depending upon each client's specific financial situation. We manage households and accounts on a goals-based approach so not every account is diversified. Certain accounts will potentially be more heavily weighted in one sector versus another account in order to diversify the household as a whole or to take advantage of certain tax advantages in having particular types of investments in certain types of accounts. As such, we determine investments and allocations based upon the client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. The restrictions and guidelines set by the client will also affect the composition of the portfolio.

- **Strategic Asset Allocation Program.** Clients participating in this strategy are placed in one of four models: Conservative, Moderate, Growth, and Aggressive. These four represent the general risk level of each model and clients will be placed into one based on their investment objectives and risk tolerance. Each of the four models is primarily comprised of a combination of ETFs and mutual funds. However, we will also utilize individual equities and other securities as appropriate. We will consult with the client to set a target asset allocation which then be based on the client's time horizon, risk tolerance and investment objectives. If the portfolio drifts more than 20% from the target we will rebalance the client's portfolio.
- **Tactical Asset Allocation Program.** Clients participating in this strategy are placed in a tactical asset allocation model that seeks to outperform the market. Tactical asset allocation is an active management portfolio strategy that shifts the percentage of assets held in various categories to take advantage of market pricing anomalies or strong market sectors. This strategy also utilizes a combination of ETFs and mutual funds; however, the strategy will also utilize other securities as appropriate.
- **All Equity Model.** Clients in this strategy will be placed into one of two all equity models. We will

rebalance a position when it drifts more than 20% from the target allocation.

- The **Equity Income Model** seeks to provide a dividend yield in excess of the dividend yield provided by the S&P 500. The portfolio is a diversified portfolio of approximately 20 predominantly large capitalization companies. This portfolio can be suitable for a client with income needs from large-cap securities.
- The **Core Growth** strategy seeks to outperform the S&P 500 index over a full market cycle, with a similar or slightly higher volatility profile. The portfolio is a diversified portfolio of approximately 25 predominantly large capitalization companies.
- **Custom Portfolio.** Clients participating in this strategy will be placed into a specifically tailored portfolio taking into accounts the particular needs, time horizon, risk tolerance, or investment objectives of each specific client. This portfolio will utilize stocks, mutual funds, ETFs, individual bonds, and other securities, as appropriate.

### **Risk of Loss**

Investing involves a risk of loss. Clients should be prepared to bear investment loss, including the loss of the original principal. Clients should never presume that future performance of any specific investment or investment strategy will be profitable. Further, there are varying degrees of risk depending on different types of investments. Clients should know that all investments carry a certain degree of risk ranging from the variability of market values to the possibility of permanent loss of capital. Although portfolios seek principal protection, asset allocation and investment decisions are not guaranteed to achieve this goal in all cases. There is no guarantee a portfolio will meet a target return or an investment objective.

Risks to capital include, but are not be limited to, changes in the economy, market volatility, company results, industry sectors, accounting standards and changes in interest rates. Investments are generally subject to risks inherent in governmental actions, exchange rates, inflation, deflation, and fiscal and monetary policies. Market risks include changes in market sentiment in general and styles of investing. Diversification will not protect an investor from these risks and fluctuations.

Additional risks include:

*Market risk:* Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. Stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Common stock (or its equivalent) is generally exposed to greater risk than preferred stocks and debt obligations of an issuer.

*Company risk:* There is always a certain level of company or industry specific risk that is inherent in each investment. Although this risk can be reduced through appropriate diversification, it cannot be eliminated. There is the risk that the issuer will perform poorly or have its value reduced based on factors specific to the issuer or its industry. If the issuer experiences credit issues or defaults on debt, the value of the issuer could be reduced.

*Exchange traded fund and mutual fund risk:* The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will incur additional costs associated with ETFs and mutual funds (see Item 5).

*Management risk:* Investments managed by us vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities.

*Foreign investments risks:* Non-U.S. investments, currency and commodity investments contain additional risks associated with government, economic, political or currency volatility.

*Emerging markets risks:* Emerging markets can experience high volatility and risk in the short term.

*Liquidity risks:* Generally, assets are more liquid if many investors are interested in a standardized product, making the product relatively easy to convert into cash. Additionally, some specialized investments have reduced liquidity compared to traditional investment vehicles.

*Bond risks:* Investments in bonds involve interest rate and credit risks. Bond values change according to changes in interest rates, inflation, credit climate and issue credit quality. Interest rate increases will reduce the value of a bond. Longer term bonds are more susceptible to interest rate variations than shorter term, lower yield bonds.

*Sector risks:* Investing in a particular sector is subject to cyclical market conditions and changes.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

Cash balances are typically invested daily in interest-bearing money market accounts.

Our strategies and investments can present unique and significant tax implications. We will seek to manage portfolios with an awareness of tax implications, but long-term wealth compounding is our primary consideration. Specific goals regarding account tax efficiency should be set forth in a writing signed by both us and the client. Regardless of account size or other factors, we strongly recommend that clients continuously consult with a tax professional prior to and throughout the investing of clients' assets. Each client is responsible for contacting his/her tax advisors to determine which cost basis accounting method is the right choice for the client.

*Cryptoassets Risk:* Among other risks associated with Cryptoassets, the prices of Cryptoassets can be and have been extremely volatile, and crypto asset exchanges have been closed due to fraud, failure, or security breaches. Cryptoassets are created, issued, transmitted, and stored according to protocols run by computers in Cryptoasset networks. It is possible that these protocols have undiscovered flaws which could result in the loss of some or all Cryptoassets held by the Client. There may also be network attacks against these protocols which may result in the loss of some or all Cryptoassets held by the Client. Some Cryptoassets held by the Client may be created, issued, or transmitted using experimental cryptography which could have underlying flaws. Advancements in quantum computing could break the cryptographic rules of protocols which support the Cryptoassets offered by our firm through Gemini Trust Company, LLC. We make no guarantees about the reliability of the cryptography used to create, issue, or transmit the Cryptoassets held by the Client.

- *Cryptoassets do not have stable values.* Cryptoassets represent a speculative investment and involve a high degree of risk. As relatively new products and technologies, Cryptoassets have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of the demand for Cryptoassets is generated by speculators and investors seeking to profit from the short- or long-term holding of Cryptoassets. The relative lack of acceptance of Cryptoassets in the retail and commercial marketplace limits the ability of

end clients to pay for goods and services with Cryptoassets. A lack of expansion by Cryptoassets into retail and commercial markets, or a contraction of such use, may result in increased volatility. Prices of the Cryptoassets have fluctuated widely for a variety of reasons and may continue to experience significant price fluctuations. Several factors may affect the price of the Cryptoassets, including, without limitation: (i) total Cryptoassets in existence; (ii) global Cryptoasset supply and demand; (iii) Clients' expectations with respect to the rate of inflation of fiat currencies; (iv) currency- and crypto asset-exchange rates; (v) interest rates; (vi) fiat currency withdrawal and deposit policies of the Cryptoasset exchanges; (vii) trade volume and liquidity on crypto asset exchanges; (viii) interruptions, suspensions, or terminations of major crypto asset exchanges; (ix) cyber theft of Cryptoassets from online Cryptoasset wallet providers, or news of such theft from such providers, or theft from individual Cryptoasset wallets; (x) investment and trading activities of hedge funds and other large Cryptoasset investors; (xi) sovereign monetary policies, trade restrictions, and inflation controls; (xii) regulatory measures that affect the usability of Cryptoassets as a form of legal tender and/or otherwise restrict or facilitate Cryptoasset purchases, sales, or holdings; (xiii) availability and popularity of businesses that provide crypto asset-related services; (xiv) development and maintenance of open-source software protocols for crypto asset networks, applications or platforms; (xv) increased competition from other payment services; and (xvi) domestic and foreign political, economic, and financial events and/or uncertainty. If crypto asset markets continue to be subject to high volatility, Clients may experience losses based on their investments. Even if Clients are able to hold their Cryptoassets for long, potentially indefinite periods, their Cryptoassets may never generate a profit. Additionally, Clients should be aware that there is no assurance that the Cryptoassets will maintain their long-term value in terms of future purchasing power.

- *Prior performance of a Cryptoasset is not necessarily indicative of future results.* Many Cryptoassets have experienced high levels of performance and rapid increases in price, followed by significant downturns in performance and similarly rapid decreases in price.
- *Cryptoassets may not have long-term viability.* Cryptoassets are a new and relatively untested product. There is considerable uncertainty about their long-term viability, which could be affected by a variety of factors, including many market-based factors such as economic growth, inflation, and others. In addition, the success of Cryptoassets will depend on the long-term utility and economic viability of blockchain and other new technologies related to Cryptoassets. Due in part to these uncertainties, the price of Cryptoassets are volatile and may be hard to sell. Our firm does not control any of these factors, and therefore may not be able to control the ability of any Cryptoasset to maintain its value over time.
- *It is not guaranteed that Gemini will be able to purchase and sell Cryptoassets on a Client's behalf.* The Cryptoasset market presents significant risks that could negatively impact Gemini's ability to purchase and sell Cryptoassets on a Client's behalf (for example, the Cryptoasset market frequently involves shallow trade volume, extreme hoarding, low liquidity, and high bankruptcy risk). Blocks of Cryptoassets are often hoarded by a few owners and/or are kept out of circulation. Ownership concentration is high, which increases liquidity risk because large blocks of Cryptoassets are difficult to sell in a timely and efficient manner. Further, exchanges may not treat all customers equally. The daily trade volume of Cryptoassets may also only be a small fraction of total Cryptoassets mined. The lack of a robust and regulated derivatives market for Cryptoassets means that market participants do not have as many mechanisms to hedge or create the liquidity in the Cryptoasset market that is typical of traditional capital markets. The crypto asset market also currently lacks many institutional participants, which could help to stabilize the market. For these reasons, among others, Gemini may be unable to purchase or sell a Cryptoasset on a Client's behalf for an extended period of time. In addition, the Cryptoasset exchanges and other trading venues on

which the Cryptoassets trade are relatively new and, in most cases, largely unregulated. They may therefore (i) be more exposed to fraud and failure than regulated exchanges for securities, derivatives, and fiat currencies and (ii) become subject to rules and regulations that prohibit the trading venue from listing the Cryptoassets held by a Client in the future. Much of the daily trading volume of Cryptoassets is conducted on poorly capitalized, unregulated, unaudited, and unaccountable exchanges located outside of the U.S. that often do not have, or have limited, listing requirements. Such exchanges may engage in unethical practices that could adversely impact Cryptoasset pricing, such as front-running, wash trading, and trading with insufficient funds. To the extent that the crypto asset exchanges or other crypto asset trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in Cryptoasset market prices and adversely affect a Client's investment in Cryptoassets. Even the largest exchanges have been subject to operational interruption (e.g., thefts of Cryptoassets from operational or "hot" wallets, suspension of trading on exchanges due to denial of service attacks by hackers, malware, bankruptcy proceedings, and cessation of services by exchanges). Such disruptions have limited the liquidity of Cryptoassets on the affected Cryptoasset exchange and have resulted in higher volatility and a reduction in confidence in the broader crypto asset market. The price of Cryptoassets on exchanges may also be impacted by policies, regulations, or interruptions of the ability to transfer fiat currency into or out of larger Cryptoasset exchanges.

- *The value of Cryptoassets is uncertain and may not match the price a Client pays.* Cryptoassets derive their value from a variety of factors, including demand for the crypto asset associated with its utility or functionality. Additionally, value is affected by demand for the Cryptoasset from speculators. If too many speculators invest in Cryptoassets the value of the Cryptoassets may not correspond to the price at which the Cryptoassets are exchanged. The value of Cryptoassets may in particular be subject to momentum pricing and therefore, an inaccurate valuation. Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. The price of a Cryptoasset is determined primarily using data from various currency exchanges, over-the-counter markets, and derivative platforms. Momentum pricing of Cryptoassets has resulted, and may continue to result, in speculation regarding future appreciation in the value of the Cryptoassets, inflating and making more volatile the price of such Cryptoassets. The Cryptoassets that lead the market may be subject to even more speculation. In addition, the value of the Cryptoassets on trading venues that are largely unregulated may be inaccurate and the rules or regulations that apply to such trading venues are subject to change, which may result in the listing of the Cryptoassets held by a Client to be removed from certain trading venues, further obscuring the valuation of such Cryptoassets.
- *Innovations in the Cryptoasset industry may cause the Cryptoassets purchased by our firm on behalf of a Client to lose value.* The development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in Cryptoassets is subject to a variety of factors that are difficult to evaluate and predict. The use of Cryptoassets to, among other things, buy and sell goods and services is part of a new and rapidly evolving commercial practice that employs digital assets based on a computer-generated mathematical and/or cryptographic protocol. The growth of this commercial practice in general, and the use of Cryptoassets in particular, is subject to a high degree of uncertainty. Factors affecting further development of the Cryptoasset industry include, among other things, the continued worldwide adoption of Cryptoassets; governmental and quasi-governmental regulation of Cryptoassets and/or crypto asset exchanges; changing consumer demographics, tastes and preferences; sustained development and maintenance of open-source software protocols; the popularity and availability of alternative and/or new payment services; and general economic conditions. If these factors negatively affect or impede the development of the Cryptoasset industry, the value of a Client's investment in

Cryptoassets may also be negatively affected. Cryptoassets may be negatively affected by technological advances that undermine the cryptographic consensus mechanism underpinning blockchain and distributed ledger protocols. Advances in cryptography or technical advances such as the development of quantum computing could present risks to the viability of Cryptoassets by undermining or vitiating the cryptographic consensus mechanism that underpins blockchain and distributed ledger protocols. Similarly, legislators could prohibit the use of current and/or future cryptographic protocols.

- *Cryptoassets may rely on third-party blockchains.* Certain Cryptoassets may rely on or are built on a public or third-party blockchain and the success of such blockchain may have a direct impact on the success of Cryptoassets. These Cryptoassets are partly dependent on the effectiveness and success of such blockchains, as well as the success of other blockchain and decentralized data storage systems that are being used by the issuer of the Cryptoassets. There is no guarantee that any of these systems or their sponsors will continue to exist or be successful. This could lead to disruptions of the operations of the issuer of Cryptoassets offered through Gemini Trust Company, LLC, and could negatively affect any Cryptoassets held by a Client from such issuer.
- *Geopolitical events may affect the value of Cryptoassets.* The impact of geopolitical events on the supply and demand for Cryptoassets is uncertain. As an alternative to fiat currencies that are backed by central governments, digital assets such as Cryptoassets, which are relatively new, are subject to supply and demand forces based in part upon the desirability of an alternative, decentralized means of buying and selling goods and services. It is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of Cryptoassets globally and/or locally. Large-scale sales of Cryptoassets are likely to result in a reduction in the value of Cryptoassets and may adversely affect a Client's investment in Cryptoassets.
- *Cryptoassets do not have insurance protections.* Any Cryptoassets held in Client accounts are not subject to any protections provided by the U.S. Federal Deposit Insurance Corporation (the "FDIC") or the U.S. Securities Investor Protection Corporation. This means that Cryptoassets will not be insured by the FDIC's Deposit Insurance Fund. In addition, Cryptoassets are not subject to any protections provided by any private insurance company, and it is unclear if and when Cryptoassets in Client accounts will be covered by any insurance protections.
- *The exchanges used to execute transactions in Cryptoassets are not always accurate.* The execution of transactions in Cryptoassets on exchanges chosen by Gemini Trust Company, LLC, may, from time to time, result in certain trade errors. These trade errors may occur any time an exchange is used to purchase Cryptoassets on behalf of Clients.
- *Regulatory changes may affect the value of Cryptoassets.* Regulation of Cryptoassets in the U.S. and in foreign jurisdictions is in its early stages of development and is subject to unpredictable changes which may have an adverse impact on the Cryptoassets offered by Gemini Trust Company, LLC. The regulatory status of Cryptoassets remains unclear or unsettled in many jurisdictions. Legislative and regulatory changes or actions at the local, state, federal, foreign, or international level may adversely affect the use, transfer, exchange, and value of Cryptoassets. These legislative and regulatory changes or actions are difficult to predict and may adversely impact the Cryptoassets offered. As Cryptoassets have grown in popularity and market size, U.S. legislators and regulators have begun to develop laws and regulations and have, at times, released interpretive guidance governing the crypto asset industry. Both legislators and regulators have expressed concerns that Cryptoassets can be used by criminals to evade taxes and launder money. To the extent that future

actions by legislators and/or regulators impose restrictions or limitations on the crypto asset market, the demand for Cryptoassets is likely to be reduced. In addition, such actions may limit the ability of Clients to convert Cryptoassets into fiat currency or use Cryptoassets to pay for goods and services, which, in each case, is likely to result in a reduction of demand and, in turn, a decline in the value of Cryptoassets. Additional or changing regulations could also limit the use of Cryptoassets on various Cryptoasset platforms. Such reductions in use could decrease or remove the value of the functionality achieved on those platforms and cause a substantial decrease in the value of the Cryptoassets. Various foreign jurisdictions may adopt laws, regulations, or directives that address the Cryptoasset market and participants in such market. Any such laws, regulations, or directives may (i) conflict with those of the U.S., (ii) negatively impact the acceptance of Cryptoassets inside and outside the U.S., (iii) impede the growth or sustainability of the Cryptoasset market in foreign jurisdictions, and/or (iv) otherwise negatively affect the value of Cryptoassets. These laws, regulations or directives, if any, are impossible to predict, but any such change could be substantial and adverse to the value of investments made by Clients in Cryptoassets. Regulation of Cryptoassets in the U.S. varies by state, and the regulations of certain states may limit the ability of firms to operate within those states. The different regulations by state could affect the transferability of Cryptoassets. To the extent that state regulations differ, certain Cryptoassets may only be tradable in specific states. This could decrease the demand for and market for Cryptoassets.

- *Clients should not count on any protection or guarantees from federal or state securities laws with respect to Cryptoassets.* Many Cryptoassets, including Cryptoassets offered through Gemini Trust Company, LLC, are not registered with or qualified by the SEC. Although Magnolia Capital Advisors is registered under the Advisers Act and Clients are provided certain protections from fraud under applicable securities laws, Clients will generally not otherwise be afforded the full set of protections provided under the Securities Act of 1933 (the “Securities Act”), Securities Exchange Act of 1934, other federal securities laws or comparable state law with respect to any Cryptoassets held in Client accounts. Thus, Clients should not expect any protection under the Securities Act. Further, if a regulator were to find that a Cryptoasset should have been registered under the Securities Act or state law, it could disrupt the market in that Cryptoasset. If regulators were to take action related to a Cryptoasset that a Client has invested in, it could decrease the value of the Cryptoasset or lead to a determination that the transaction in the Cryptoasset is void. Gemini trades Cryptoassets on various crypto exchanges, which also custody such Cryptoassets. Further, all Client Cryptoasset transactions are facilitated by Gemini, an entity that is not currently regulated by the SEC or subject to other comparable federal or state securities laws. Technological, operational, or other failures, system outages, or errors suffered by Gemini could result in loss of Client Cryptoassets. In addition, Gemini is located in a jurisdiction which may adopt laws, regulations, or directives that address the Cryptoasset market and participants in such market and which may negatively affect the value of Cryptoassets.
- *It is not yet clear how Cryptoasset investments and any returns thereon will be taxed.* The tax characterization of Cryptoassets is uncertain. The purchase of Cryptoassets may result in adverse tax consequences to a Client, including withholding taxes, income taxes, and tax reporting requirements. Clients are encouraged to review IRS Notice 2014-21 (the “Notice”) that sets forth published guidance from the U.S. Internal Revenue Service released in 2014 concerning the consequences of transacting in crypto asset. If a crypto asset is characterized as a “virtual currency” for income purposes, then, under the Notice, the general rules applicable to property transactions would apply. Potential Clients are strongly encouraged to seek independent legal and tax advice regarding their individual circumstances and objectives in determining the percentage of assets to invest in Cryptoassets.
- *Exchanges used to purchase and sell Cryptoassets registered with the SEC do not yet exist.* There

are currently no U.S. exchanges registered with the SEC where Cryptoassets can be legally listed and/or traded. Although we anticipate that such exchanges will exist in the U.S. in the future, we cannot and does not guarantee that such exchanges will ever legally operate in the U.S. In addition, even if other types of Cryptoassets are able to successfully be listed on a registered exchange in the U.S., there is no guarantee that such exchange will allow the Cryptoassets to be listed on such a registered exchange. Thus, exchanges used may not be registered with the SEC and/or in compliance with applicable securities laws, rules and regulations, and any regulatory action relating to the unregistered status or non-compliance of the exchanges used could adversely affect the firm's business.

- *A stolen or incorrectly transferred digital asset is generally not retrievable.* Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of Cryptoassets or a theft of Cryptoassets generally will not be reversible. If a party is able to hack the Gemini Trust Company accounts and initiate a transaction, Clients may not be capable of receiving compensation for any such transfer or theft. If there is an error and a transaction occurs with the wrong account, to the extent that Gemini is unable to seek a corrective transaction with such third party or is incapable of identifying the third party which has received the Cryptoassets through error or theft, Gemini will be unable to revert or otherwise recover incorrectly transferred Cryptoassets. To the extent that Gemini is unable to seek redress for such error or theft, such loss could adversely affect a Client's investment.

## Item 9: Disciplinary Information

Our firm and our financial professionals are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of us, our business or the integrity of our management or associated persons.

Neither our firm nor any of our associated persons has any reportable disciplinary events to disclose.

## Item 10: Other Financial Industry Activities and Affiliations

Magnolia Capital Advisors is not a registered broker-dealer, commodity firm, commodity trading advisor, or futures commission merchant, and does not have an application to register for any of the same pending. In addition, our firm does not recommend investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

Some of our firm's financial professionals are also licensed insurance agents for unaffiliated third parties, and recommend insurance products to clients, such as life, disability and long-term care insurance products. These products are separate and distinct from investment advisory services offered through Magnolia Capital Advisors, and the firm professional will receive a commission or fees as a result of the sale of insurance related products. A conflict of interest therefore exists as these commissionable sales creates an incentive to recommend products based on compensation earned rather than need. In no event is any client obligated, contractually or otherwise, to use the services of any licensed insurance agent acting in such capacity or to purchase products or services through said individual.

Certain individuals of the firm are registered representatives of Entoro Wealth, LLC or Level Four Financial, LLC, both FINRA registered broker-dealers. In this capacity, these representatives have the ability to provide securities brokerage services and implement securities transactions on a commission basis. Clients should be aware that the receipt of additional compensation itself creates an inherent conflict

of interest with the advice provided by the Adviser, and this conflict of interest could affect the judgement of these individuals when making recommendations. The Adviser and the broker/dealers are separate, nonaffiliated entities. Nevertheless, to the extent that the Adviser's representatives recommend the purchase of securities or other investment products where the representative receives commissions for doing so, a conflict of interest exists because the representative is incentivized to make recommendations based on the compensation received rather than on a client's needs.

Stephen Griner is a minority owner in First Southern Bank, Griner Drilling, and Citizen's Bank. Mr. Griner is not involved in the day-to-day operations of these passive investments, but they could represent a substantial source of his income. In addition, First Southern Bank is a client of Magnolia Capital Advisors and therefore a conflict of interest exists to give First Southern Bank preferential treatment over other clients.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

Magnolia Capital Advisors has adopted a Code of Ethics that sets forth high ethical standards of business and professional conduct which we require our employees to follow. The Code of Ethics outlines proper conduct related to all services provided to clients by the firm and our associated persons and includes guidelines for compliance with applicable laws and regulations governing our practice. Our goal is always to protect our clients' interests and demonstrate our commitment to our fiduciary duties of honesty, good faith and fair dealing.

### **Personal Securities Transactions and Interests**

Through its professional activities, MAG CAP and its supervised persons are exposed to potential conflicts of interest and the Code of Ethics contains provisions designed to mitigate certain of these potential conflicts by governing the personal securities transactions of certain of its employees, officers and directors. In particular, the Code of Ethics governs the conduct of certain "access persons" in circumstances where the Adviser or its access persons desire to purchase or sell securities for their personal accounts that are identical to those recommended by the firm to its clients. For these purposes, the Code of Ethics defines an "access" person as a supervised person of the firm that (1) has access to nonpublic information regarding any clients' purchase or sale of securities, (2) has access to nonpublic information regarding the portfolio holdings of any fund the adviser or its control affiliates manage or sponsor, or (3) is involved in making securities recommendations (or has access to such recommendations) to clients that are nonpublic.

Access persons' trades must be executed in a manner consistent with the following principles:

- The interests of client accounts will always be placed first.
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility.
- Access persons must not take inappropriate advantage of their positions.
- Preclearance of access persons' transactions in securities in a limited offering or private placement is required.

Access persons must submit quarterly reports regarding securities transactions and newly opened accounts, as well as annual reports regarding holdings and existing accounts. We monitor our access persons' personal trading activity at least quarterly to ensure compliance with internal control policies and procedures and

our Code of Ethics.

The Code of Ethics does not prevent or prohibit access persons from trading in securities that we recommend or in which we invest client assets, but rather prescribes the governing principals relative to the same (see above). As such, it is possible that (1) the firm or its access persons could recommend to clients, or buy or sell for client accounts, securities in which one or more access persons (including MAG CAP or its affiliates) has a material financial interest, (2) access persons (including the firm or its affiliates) can (and do) invest in the same securities (or related securities) that we recommend to clients, including private equity or other limited investment opportunities made available to the firm's clients, or (3) the firm (including its affiliates) and its access persons could recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that one or more access persons (including the firm or its affiliates) buys or sells the same securities for its own account. This presents a conflict in that the access person might seek to benefit himself or herself from this type of trading activity in the same securities, either by trading for personal accounts in advance of client trading activity, or otherwise. All such activity must be in strict adherence with our Code of Ethics and must fundamentally place the clients' interests first. Moreover, it is our policy that neither the firm nor its associated persons will have priority over a client's account(s) in the purchase or sale of securities.

We will typically seek to combine orders to purchase securities for the firm, its associated persons and/or their families with a client's order to purchase securities ("block trading"). Please refer to Item 12 for more information on block trading. A conflict of interest exists in these events because we have the ability to trade ahead of clients and could receive more favorable prices (for the firm, its associated persons and/or their families) than the client will receive. To eliminate this conflict of interest, we will make reasonable attempts to trade securities in client accounts at or prior to trading the securities in the firm accounts, or accounts of associated persons and/or their families. Trades executed the same day will likely be subject to an average pricing calculation. Moreover, it is our policy that neither the firm nor its associated persons will have priority over a client's account(s) in the purchase or sale of securities.

Neither the firm nor its associated persons have any material financial interest in client transactions beyond the provision of investment advisory services or other services as disclosed in this Brochure.

Our firm does not engage in principal trading (*i.e.*, the practice of selling stock to advisory clients from our inventory or buying stocks from advisory clients into our inventory). Nor does the firm engage in agency cross transactions (*i.e.*, the practice of acting as a broker for both the client and the other party involved in a transaction).

Clients or prospective clients can obtain a copy of our Code of Ethics by contacting us at the e-mail or phone number listed on the cover page of this Brochure.

## **Item 12: Brokerage Practices**

### **Broker-Dealer Relationships and Benefits**

We will generally recommend and request that clients establish brokerage accounts with Raymond James & Associates ("RJA"), FINRA member New York Stock Exchange/SIPC, who we have established a custodial relationship with. RJA provides our firm with access to its institutional trading and operations services, which typically are not available to Raymond James retail customers. These services are generally available, without cost, to financial advisory firms who maintain a minimum threshold of client assets with RJA.

Services provided by RJA include research (including mutual fund research, third-party research, and RJA'

proprietary research), brokerage, clearing, custody, and access to mutual funds and other investments that are available only to institutional investors or would require a significantly higher minimum initial investment. In addition, RJA makes available software and other technologies that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution; provide research, pricing information, quotation services, and other market data; assist with contact management; facilitate payment of fees to our firm from client accounts; assist with performance reporting; facilitate trade allocation; and assist with back-office support, record-keeping, and client reporting. RJA also provides access to financial planning software, practice management consulting support, best execution assistance, consolidated statements assistance, educational and industry conferences, marketing and educational materials, technological and information technology support, and RJA corporate discounts. Many of these services are used to service all or a substantial number of our clients' accounts, including accounts not maintained at RJA. We are eligible for a specific schedule of fees based upon our assets under management with RJA. We have no discretion to determine the commissions charged by RJA.

RJA also provides us with other services intended to help our company and its financial professionals manage and further develop its business enterprise, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. In addition, RJA makes available or arrange and/or pay for these types of services provided by independent third parties, including regulatory compliance. All "soft dollar" benefits we receive from RJA are eligible research and brokerage services under section 28(e) of the Securities Exchange Act of 1934.

As stated below and in Item 14, RJA also makes available to us other products and services that benefit our firm and its financial professionals but do not necessarily benefit its clients' accounts.

Although we will generally recommend that clients utilize RJA for custody of their assets and execution of their transactions, we can, subject to its best execution obligations, trade outside of RJA where necessary. In the selection of broker-dealers, we will consider all relevant factors, including the commission rate, the value of research provided, execution capability, speed, efficiency, confidentiality, familiarity with potential purchasers and sellers, financial responsibility, responsiveness, and other relevant factors. Our firm will retain and compensate RJA to provide various administrative services until stated otherwise. These services include determining the fair market value of assets held in the account at least quarterly and producing a brokerage statement for clients detailing account assets, account transactions, receipt and disbursement of funds, interest and dividends received, and account gain or loss by security as well as for the total account.

Our firm and RJA are not affiliates, and we do not receive client referrals from RJA.

### **Order Aggregation/Block Trading/Allocations**

Our advice to certain clients and the action of the firm and its financial professionals for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his/her applicable investment objective, guidelines, risk tolerance and circumstances. Thus, any action that we take with respect to a particular investment could, for a particular client, differ or be opposed to the recommendation, advice or actions of our firm to or on behalf of other clients. Our firm acts in accordance with the adviser's duty to seek best price and execution and will not continue any arrangements if we determine that such arrangements are no longer in the best interest of our clients.

When our firm is managing accounts with similar investment objectives, we will typically seek to aggregate orders for securities for such accounts. In this event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made in the manner it considers to be the most equitable and

consistent with its fiduciary obligations to such accounts.

MAG CAP's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, considering clients' best interests. We will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

We will seek to aggregate, *i.e.*, "block," trades where possible and when advantageous to clients. We must reasonably believe that the order aggregation will benefit and will enable us to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price. Block trading generally allows us to execute equity trades in a timelier, more equitable manner, at an average share price.

We will block trades among clients whose accounts can be traded at a given broker-dealer. If participating in the same strategy as our clients, the firm's associated persons will generally be included in a block trade on the same terms and conditions. Blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, as long as transaction costs are shared equally and on a pro-rata basis between all accounts included in the block. There is a chance that subsequent orders for the same security will be aggregated with previously unfilled orders. Additionally, subsequent orders could potentially be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended exposure. All clients participating in each aggregated order will generally receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro-rata portion of commissions, provided, however, an adjustment will be appropriate in some circumstances.

Prior to entry of an aggregated order, each client account participating is identified in the order and the proposed allocation of the order, upon completion, to those clients. If the order cannot be executed in full at the same price or time, the securities purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation could be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation could be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts. Our client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account. Funds and securities for aggregated orders are clearly identified in our records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if we believe that a larger size block trade would lead to best overall price for the security being transacted.

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled." Transactions for any client account will not be aggregated for execution if the practice is prohibited by the client.

## **Best Execution**

As stated above, we typically recommend that our clients establish broker accounts with RJA. Such accounts will be "prime broker" eligible so that if and when the need arises to effect securities transactions from those accounts at broker-dealers other than with RJA the current custodian ("executing brokers"), such custodian will accept delivery or deliver the applicable security from/to the executing brokers. RJA charges a "trade away" fee which is charged against the client's account(s) for each "trade away" occurrence. Our firm receives no part of the trade away fees. Other custodians have their own policies concerning prime broker accounts and trade away fees.

If the client is receiving discretionary advisory services, the Adviser, pursuant to the terms of its management agreement with clients, will have discretionary authority to determine which securities are to be bought and sold and the price of such securities to effect such transactions. We recognize that the analysis of execution quality involves a number of qualitative and quantitative factors. The firm will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include, but are not limited, to the following:

- The financial strength, reputation and stability of the broker-dealer;
- The efficiency with which the transaction is effected; the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- The availability of the broker-dealer to stand ready to effect transactions of varying degrees of difficulty in the future;
- The efficiency of error resolution, clearance and settlement;
- Block trading and positioning capabilities;
- Performance measurements;
- Online access to computerized data regarding customer accounts;
- Availability, comprehensiveness, and frequency of brokerage and research services;
- Commission rate;
- The economic benefit to the clients; and
- Related matters involved in the receipt of brokerage services.

Consistent with its fiduciary responsibilities, we seek to ensure that clients receive best execution with respect to the clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of our knowledge and due diligence inquiries, RJA provides high-quality execution, and our clients will pay competitive rates for such execution. Based upon its own knowledge of the securities industry, we believe that RJA's commission rates (to the extent there are any) are competitive within the securities industry. Although we acknowledge that there is the potential for lower overall commissions or better execution to be achieved elsewhere, we believe that RJA provides clients with best execution based on all qualitative and quantitative factors.

## **Trade Errors**

Where a trade error occurs in a client account due to our error, we will correct the error and ensure the client account does not suffer a loss or incur a transaction cost related to that error. Depending on the nature of the error, we will pay the cost of the error or will cause the custodian or broker-dealer to pay the cost of the error. If the error results in a profit, due to market movement, the client will keep the profit.

## **Brokerage for Client Referrals**

Our firm and its investment professionals do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

## **Item 13: Review of Accounts**

Accounts are monitored continuously and on ongoing basis by our financial professionals. We conduct these reviews through various means, including telephone calls, in-person meetings, overall strategy reviews, and/or the review of monthly and quarterly statements. Reviews are based on objectives and parameters established by clients, which are generally memorialized through their client management agreements and Investment Policies. More frequent reviews can also be triggered by a change in the client's investment objectives or risk tolerance, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in investment or fund managers, or changes in the economy or financial markets.

Our compliance personnel will also monitor managed and supervised accounts on an ongoing basis to ensure that the advisory services provided to clients are consistent with the clients' circumstances.

Depending on the nature of the engagement, some financial plans will not be reviewed until after the plan is delivered. The frequency of plan review will be dependent on the agreement terms. If deemed necessary it will be reviewed quarterly, yearly or some other determinate amount of time. Those reviews will revisit the initial plan and determine if any adjustments need to be made to the objectives. Financial planning, by its nature, does require periodic review. At times we will use software and other tools to assist in generating a financial plan.

With respect to managed accounts, investment advisory clients receive standard account statements from the independent, qualified custodian of their accounts no less frequently than quarterly. The account statements received from the custodian and/or broker-dealer are the official records of the client's account(s).

No on-going financial planning reports are provided for financial planning clients unless a financial plan update or additional services are requested. Your firm professional will update a plan as needed and when objectives or financial situation change.

## **Item 14: Client Referrals and Other Compensation**

### **Solicitor Arrangements**

Magnolia Capital Advisor engages certain independent solicitors to provide client referrals. If a client is referred to us by a solicitor, this practice is disclosed to the client in writing by the solicitor and the Adviser pays the solicitor out of its own funds—specifically, the Adviser generally pays the solicitor a portion of the advisory fees earned for managing the capital of the client or investor that was referred. The use of solicitors is strictly regulated under applicable federal and state law. The Adviser's policy is to fully comply with the requirements of Rule 206(4)-3, under the Investment Advisers Act of 1940, as amended, and similar state rules, as applicable.

We receive client referrals from Indyfin LLC (or "Indyfin"). Indyfin is independent of and unaffiliated with the Adviser and there is no employee relationship between them. Indyfin does not supervise the Adviser and has no responsibility for the Adviser's management of client portfolios or the Adviser's other advice or services. The Adviser pays Indyfin an on-going fee for each successful client referral. This fee is usually a

percentage of the advisory fee that the client pays to the Adviser (“Solicitation Fee”). The Adviser will not charge clients referred through Indyfin any fees or costs higher than its standard fee schedule offered to its clients.

We also provide clients referrals to other investment advisers from time-to-time. When providing a referral to other investment advisers, Magnolia Capital Advisors and our financial professional(s) are paid an on-going fee for each successful client referral. This fee is usually a percentage of the advisory fee that the client pays to that adviser (also known as a “Solicitation Fee”). We will not typically provide referred clients any advisory services when acting in this capacity, but the relationship between our firm and the other investment adviser will be disclosed along with our compensation.

### ***Brokerage and Custody Services***

As disclosed in item 12 (Brokerage Practices) above, we participate in RJA's institutional advisor programs, under which our firm is provided with access to RJA's institutional trading and custody services, which are typically not available to retail investors. Such services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

RJA makes available to our firm other products and services that benefit us, but that does not directly benefit each client's accounts. Many of these products and services can be used to service all or some substantial number of our client accounts, including accounts not maintained at RJA. Products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide research, pricing and other market data;
- Facilitate payment of our fees from clients' accounts; and assist with back-office functions, record keeping and client reporting;
- Receipt of duplicate client statements and confirmations; and
- The ability to have advisory fees deducted directly from our client's accounts.

RJA offers other services intended to help us manage and further develop our business enterprise. These services include, but are not necessarily limited to:

- Compliance, legal and business consulting;
- Publications and conferences on practice management and business succession;
- Access to employee benefits providers, human Cap consultants and insurance providers;
- Assistance with back-office functions, record keeping and client reporting; and
- Access to mutual funds with no transaction fees and to certain institutional money managers.

RJA can make available, arrange and/or pay third party vendors for the types of services rendered to our firm. RJA has the ability to discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services, and also provide other benefits such as educational events or occasional *de minimus* business entertainment of our personnel. All business entertainment will be guided by our Code of Ethics.

Although the above benefits can assist us in managing and administering clients' accounts, including those not maintained at a broker-dealer, some of the products and services made available benefits Magnolia Capital Advisors itself in managing and developing its business, but do not directly benefit our clients. You

should therefore be aware that the receipt of economic benefits by our firm and/or its related persons in and of itself creates a conflict of interest and could potentially indirectly influence our choice of a broker-dealer for custody and brokerage services.

## **Item 15: Custody**

We generally have the ability to directly debit advisory and other fees from client accounts, unless the client specifies otherwise. As part of this billing process, the independent, qualified custodian of the client's account(s) is advised of the amount of the advisory or other fee to be deducted from the client's account(s). The client will receive account statements from the custodian holding the account(s) at least quarterly. These statements will show all transactions within the account during that reporting period, including the amount of advisory or other fees debited from the client's account(s). Because the custodian does not calculate the amount of the fees to be deducted, it is important for clients to carefully review their account statements to verify the accuracy of the fee calculation, among other things.

A client should contact us directly if he/she believes there is an error or has a question regarding an account statement.

This ability to deduct our fees from a client's account(s) causes us to exercise limited custody over these accounts under applicable law. We do not have, and will not take, physical custody of any clients' funds, securities or assets. Clients' funds, securities and assets will be held with a bank, broker-dealer or independent, qualified custodian

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## **Item 16: Investment Discretion**

When a client hires us to provide discretionary investment advisory services, we have the authority to place trades, buy and sell securities on the client's behalf, determine the amount of the securities to buy and sell, and determine the nature and type of securities to buy and sell without obtaining a client's consent or approval prior to each transaction. In some cases, we will have the authority to hire and fire third-party money managers. Clients who give us discretionary authority will give our firm a limited power of attorney and/or trading authorization forms to make the above decisions on the client's behalf.

In certain situations, Clients have the ability to limit our authority by giving us written instructions, restrictions and guidelines via email communication or other written instructions. For example, a client might specify that their accounts' assets not be invested in a specific industry or security, or that a certain security not be liquidated. Clients can change such instructions, restrictions and guidelines by providing us with written instructions. The most current written instructions will control. We will accept such limitations provided they are reasonable and do not unreasonably interfere with the management of your account. We will accept such instructions via text message or similar instant messaging methods.

If the client enters into a non-discretionary arrangement with our firm for investment advisory, portfolio management services, or retirement plan consulting, we will be obligated to obtain the client's approval prior to the arranging or execution of any transactions in the account(s). With such an arrangement, the client has the unrestricted right to decline to implement advice provided by us on a non-discretionary basis. If you do not grant us discretionary authority over your accounts, we are limited to make periodic recommendations to you regarding which securities to be purchased or sold and the size of the transactions. You will ultimately be responsible for implementation of those recommendations and the timing of the transaction.

## **Item 17: Voting Client Securities**

Regardless of whether we have discretion over a client's account(s), we will not vote proxies on behalf of any client or respond to any legal notices or class action claims on behalf of a client.

We will instruct the qualified, independent custodian to forward all proxy materials, legal notices and class action information to the client to review and make his or her own informed decision on how to vote. In the event we receive the proxy material, we will forward them directly to the client by mail or by electronic mail (if the client has authorized electronic communication).

## **Item 18: Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered. Magnolia Capital Advisors does not have any financial issues that would impair its ability to provide services to clients, and we have not been the subject of a bankruptcy petition at any time.